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Report of proceedings at forty-ninth annual trade-union congress, at Blackpool, September, 1917. (London: King. 1917. 2s.)

Money, Prices, Credit, and Banking

Monetary System of Mexico. Proposed Reforms. By E. W. KEMMERER. (Mexico City and New York: Comisión de Reorganización Administrativa y Financiera, Henry Bruère, Secretary. 1917. Pp. 94.)

In the United States the rise in the price of silver which was so pronounced in 1917, especially during the months of August and September when it rose from 78 cents to \$1.08½ per ounce, attracted the attention of but few people aside from the limited number who were directly interested.

Our silver dollars are more valuable as money than as bullion until the price of silver reaches \$1.29 per ounce and our subsidiary silver coins even longer. In Mexico, however, a different situation prevails. The bullion par of the peso fuerte is 63.4 cents per ounce and that of silver fractional currency is 77.7 cents per ounce. With silver even as low as 85 or 86 cents an ounce, the price that has prevailed for the last few months, the Mexican silver coins are more valuable as bullion than for monetary uses. Since March, 1916, this has been true of the peso fuerte and since June, 1917, of the fractional coins.

Professor Kemmerer was asked by the Comisión de Reorganización Administrativa y Financiera to suggest a way of meeting the problem; and in October, 1917, when he submitted his report the pesos had disappeared from circulation and the fractional silver coins were seriously threatened. Two possible actions are discussed: (1) to increase the weight of the unit of value above its present 75 centigrams of pure gold; and (2) to recoin the existing silver coins, reducing their pure silver content.

The first proposal would involve recoinage of the gold coins with considerable expense and no seigniorage profits to the government, alter the level of prices and wages, compel a readjustment of debts, probably meet with considerable popular criticism, and furnish a unit too valuable for Mexican needs. The second plan is accordingly advocated, the recommendation being for a silver peso containing 15 grams of fine silver, with fractional coins of the same fineness (.800) but with only 13.5 grams of pure silver to the peso. The proposed new pesos would have a bullion par of \$1.035 and the fractional coins \$1.147⁄8, a margin of safety considerably above

the present one and in the case of the peso about 6 per cent over the Indian rupee.

The leading requirements for the maintenance of the gold standard are set forth, particular attention being given to regulations needed for adjusting the supply of fiduciary coins to trade needs and the maintenance of an adequate gold reserve. It is to this last problem that most of the author's attention is given. Its functions, *i.e.*, (a) to secure an automatic adjustment of the currency supply to the demands of trade and (b) to create and maintain public confidence in the fiduciary currency are carefully explained. A minimum reserve of 40 per cent is recommended for the outset with perhaps 30 per cent later, this to be held in national gold coins, standard gold bars, and foreign gold coin with no more than perhaps 10 per cent in silver, preferably coin at the outset. Part of this fund might be kept in New York or London. The fund is to be accumulated from various sources among which are seigniorage profits in coining silver and a loan fund of P 20,000,000.

An introduction by Rafael Nieto, a member of the commission, states that the recent decline in the price of silver to about 85 cents per ounce has made unnecessary the recoinage of the silver currency but that if the price should again rise to a point sufficiently high to encourage "the exportation of fractional silver, recoinage will be imperative."

The report is lucid throughout, and is an excellent illustration not only of the expert knowledge of its author and his thorough familiarity with the problem he is treating but of the attractive form in which a public report on a subject usually considered uninteresting may be presented. Such material is vastly superior for the uses of a teacher to the ordinary textbook treatment. The only regret felt by a reader is that our whole money and currency problem is as yet unsolved. A world whose welfare is so much at the mercy of a slight fluctuation in the price of a single commodity has much to learn and much to do. Even such remedies as Professor Kemmerer proposes would be a protection only against a rather moderate rise in silver prices in the future.

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NEW BOOKS

BAUER, S. *Untersuchungen über die Lebenskosten in der Schweiz.* (Munich: Verein für Sozialpolitik. 1917. Pp. xxiii, 303.)